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CAPITOL UPDATE

Workers' Compensation Benefit Increase Passed by Legislature

Last week, over the strong opposition of California's business and insurance communities, the Democrat majority in the Legislature forced through a counterproductive measure billed as workers' compensation "reform."

AB 749 (Calderon), which will increase workers' compensation benefits by \$2.5 billion, passed both houses on a strict party-line vote - with virtually all Republicans voting "No." The bill is now on the Governor's desk awaiting his signature.

Passage of this bill is regrettable for two important reasons. First, AB 749 was negotiated in secret behind closed doors so that the public could not observe its formulation or listen to any opposing arguments. Such blatant disregard for the public's right-to-know and the legislative process represents one of the worst abuses of public trust that a democratic government can commit. Second, I am deeply concerned that AB 749 will place a heavy burden on California employers at a time when California's economy can least afford it.

The cost of doing business in California dramatically increased over the last few years. Soaring increases in three areas -- energy rates, health care costs and workers' compensation premiums -- have cut the legs from under the state's private job-providers. In fact, employers pay about 77 percent more in workers' compensation insurance premiums today than they did three years ago. To put that figure into perspective, the total system costs statewide for workers' compensation will exceed \$15 billion by 2003 -- and that does not include the benefit increases included in AB 749. *Continued on page 2*

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The Workers' Compensation Insurance Rating Bureau estimates the annual cost of AB 749 to be \$3.5 billion during a four-year phase-in period, including utilization.

Proponents of the bill claim that California is 49th out of 50 states in the amount of benefits that injured workers receive. Yet, California employers also pay among the highest in workers' compensation premiums in the nation. Clearly, the system is broken -- when employers pour significant amounts of money into a system that does not provide for its injured workers. By increasing benefit payouts without implementing meaningful reform, AB 749 fails to address the fundamental problem of where the money goes within the system.

I support appropriate benefits for severely injured workers. I believe that the state workers' compensation system provides a vital safety net for California's citizens. However, increased benefits must be balanced by significant cost-saving reforms in order to keep businesses from going out of business -- and throwing people out of work. Regrettably, AB 749 does little to address the increasing costs threatening the viability of California's employers.

For a comprehensive history of workers' compensation reform in California, visit <http://republican.sen.ca.gov/opeds/99/oped1188.asp>.

Has California taken prudent action to prepare and safeguard itself from actions similar to the horrific events of September 11th ? To learn more, the *Little Hoover Commission* has made recommendations to alter the role of state and local governments to meet public expectations to improve responses of terrorist attacks and natural disasters go to:

<http://www.lhc.ca.gov/lhcdir/report162.html>

Letter to the Public Utilities Commission

http://republican.sen.ca.gov/web/38/pubs/BM_DWR_020206.pdf

Joined by fellow San Diego and southern Orange County legislators, I recently signed this letter to express my opposition to the proposed decision relating to the Department of Water Resources cost allocation proceeding. The proposed decision would unfairly shift costs of \$242 million from Northern California to the consumers of San Diego and southern Orange County.

If you know someone who would like to subscribe to **Senator Morrow's Capitol Update**, please send us an e-mail to let us know. If you wish to unsubscribe, go to:

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For information about California's energy crisis, go to <http://republican.sen.ca.gov/web/38/electrical.asp>

Health Scope: Ratings of hospitals in California
<http://www.HealthScope.org>

2001 Base Academic Performance Index (API)
rankings of public schools across the
State of California <http://api.cde.ca.gov/>

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